

No. F-43-Econ/48.

MINISTRY OF FINANCE

(ECONOMY COMMITTEE)

GOVERNMENT OF INDIA

New Delhi, the 12th/16th March, 1949

From,

G. S. RAU, Esquire,
Secretary, Economy Committee, New Delhi.

To,

The Secretary to the Government of India,
Ministry of Finance, New Delhi.

Sir,

Interim Report of the Economy Committee on the Ministry of States.

I am directed to forward herewith a copy (with three spare copies) of the Interim Report of the Economy Committee on the Ministry of States. Shri S. K. Patil is out of the station but has given his approval to the report and his signature will be affixed to it on his arrival in Delhi.

2. The recommendations made in the report have the concurrence of the Ministry of States.

3. The report on the Ministry of States sent earlier with my letter of even number dated the 7th June 1948 should be treated as cancelled.

Yours faithfully,

G. S. RAU.

THE MINISTRY OF STATES

The Ministry of States is responsible for the conduct of the Government of India's relations with the Indian States. Before 15th August 1947, the Political Department of the Government of India was entrusted with these duties. But with the decision of the British Government to withdraw from the country and its announcement about the lapse of paramountcy, the Political Department withdrew rapidly from the States in such circumstances and manner as to leave a *de facto* hiatus. It devolved on the Ministry of States to re-establish relationship with the numerous States and to knit them into a harmonious whole with the rest of the country.

2. The first task before the Ministry was to secure the accession of the States to India and to weld the numerous small States which were not equipped for financial or other reasons to establish a modern system of administration into units of reasonable size; or to merge them into adjacent Provinces so as to enable them to be efficiently administered. The country is aware of the conspicuously successful manner in which this task was tackled by the Ministry; this work is now almost complete. The next stage is to reorganize the administration in the States, to equip them with an efficient administrative machinery and to rationalise the financial relationship between the States and Government in order that the States may progressively assume their rightful place in the Union of India along with the Provinces. Because of the backwardness of administration in many States and the paucity of trained staff, this process is likely to be long and difficult.

3. Immediately before 15th August 1947, the Political Department gradually withdrew their agents who were accredited to the various States. The Ministry of States has found it necessary to appoint in a few places Regional Commissioners to give advice to the States administrations and to act as liaison officers between them and the Government of India. Even where it has been found necessary to appoint Regional Commissioners, the establishment under them has been somewhat reduced.

4. The Crown Representative had under him a Crown Reserve Police which was taken over by the Ministry of States. In the disturbed conditions prevailing in the country in the latter half of 1947 the Central Reserve Police had to be expanded by the addition of 2 companies and a proportionate complement of officers. Most of the smaller States have no police force worth the name and with the integration of the States into bigger units a responsibility has devolved on the Central Reserve to police these areas effectively until a proper local organisation is set up. Accordingly, proposals are said to be under examination to increase the strength of this force which is 2 battalions now to three battalions. The cost of the organisation after expansion is estimated to be Rs. 30 lakhs per annum. We consider that while for reasons of high policy, it may be necessary to retain the Central Reserve Police as a charge on the Government of India for the next two or three years, Government should consider at the end of this period if this organization has to continue, whether it will not be possible to recover the cost of this force from the Governments

of the States and Unions for whose needs primarily it is intended. 'Police' is a Provincial or State subject and the Central Reserve Police is obviously a force intended to supplement the local police of the State or Union concerned.

5. *The Military Adviser-in-Chief, Indian States Forces.*--Before 15th August 1947, this organisation consisted of 21 officers and 145 other staff. At present it consists of 12 officers and 69 other staff. The future of the Indian States Forces is closely connected with the position the States will occupy in the new constitution. When they are equalised in status to Provinces, no independent State Force will be needed. The disbandment of State troops or their absorption in the Indian Armed Forces will give rise to many problems. Moreover, alternative arrangement will have to be made to take over the internal security duties now discharged by the State troops. In view of the many uncertain factors governing the future of the State Forces we agree that no immediate reductions can be made in this office.

6. We have discussed the set up of the Ministry and of organizations under its control and the ways and means of effecting economy with the Secretary, Ministry of States. We record with appreciation the assurance conveyed, at the outset of the discussions, by the Secretary on behalf of H. M. States that the Committee would have his fullest co-operation and support in the implementation of any of the proposals made by it with regard to the States Ministry. The budget of the old Political Department for 1947-48 excluding Political Pensions was Rs. 108 lakhs. The budget of the Ministry for 1948-49 is estimated at Rs. 77 lakhs--indicating a substantial reduction, notwithstanding an increase in the general level of wages. The organisation at the Centre has been strengthened slightly to deal with the numerous policy questions to assist the Minister and Secretary who are involved frequently in many delicate negotiations while some retrenchment has been effected in regional organisations. For the year 1949-50, the Ministry has effected further economies and the expenditure is estimated at Rs. 64 lakhs. Details of the progressive reduction in the expenditure under control of this Ministry are at Annexure II. The position at present is so fluid that any further immediate reductions in staff do not seem to be practicable. But we feel that it should be possible to reduce the staff in the headquarters organisation as conditions become more stable and it may be possible to reach the staff position as mentioned in Annexure I. We suggest that a review should be conducted about March 1950 to examine whether the general conditions obtaining in the country permit of a more economic organisation being finalised at that stage.

P. V. R. RAO,
Officer on Special Duty.

G. S. RAU,
Secretary.

KASTURBHAI LALBHAI,
B. DAS.
S. K. PATIL.
JAIPAL SINGH
ISHWAR DAYAL. }
Chairman. }
Members. }

New Delhi, dated the 12th March, 1949.

ANNEXURE I (Para. 6)

Statement showing the strength of the Ministry of States.

Categories of Posts	Strength as on 1-1-1949	Estimate as on 1-4-1950	Remarks
Adviser	1	..	
Secretary	1	1	
Joint Secretary	3	1	
Deputy Secretaries	2	2	
Military Liaison Officer	1	..	
Under Secretaries	3	3	
	(excluding one post for Relief & Rehabilitation work).		
Asstt. Secretary	1	..	
O.S.D. (Supdt's Status)	1	1	
Private Secretary to H.M.	1	1	
P.S. to Secretary	1	1	
P.S. to Adviser	1	..	
Superintendents	*12	8	*including one Supernumerary.
<i>Non-Gazetted—</i>			
Assistants	55	45	
2nd Divn. clerks	23	64	
3rd Division clerks	49		
Stenographers	8	6	
Caretaker	1	1	

ANNEXURE II (Para. 6)

Statement showing progressive reductions in expenditure.

	Crown Representative	Ministry of States Budget 1948-49	Provisional Budget estimates of Ministry of States 1949-50
(Old Political Department)			
Budget 1947-48			
1. Ministry	8,71,200	7,23,000	11,00,000
2. Military Adviser-in-Chief, Indian State Forces	7,58,100	5,16,000	3,75,400
3. Residencies or Regional Organisations	61,25,700	19,82,700	11,01,800
Police	25,66,000	41,27,700	33,89,700
Payments to Provincial Governments	4,72,700	3,78,600	4,13,100
	1,07,93,700	77,28,000	63,80,000

